Investment Idea / IPO Note

CUCKOO International (Mal) Berhad

Easier access to better lifestyle

By Thong Pak Leng, Vice President of Research

BUY

IPO Price: RM1.08

Fair Value: RM1.23

CUCKOO International (Mal) Berhad (CKI, 5336) is a prominent multi-brand home appliance and wellness solutions provider in Malaysia, Brunei, Singapore, and Indonesia offering a plethora of products and services spanning across home appliances, mattresses, beauty and personal care products, and home care services under the brand CKI, WonderLab, and WonderKlean. Driven by its ambitious expansion plans over the next two to three years, CKI is expected to register net earnings of RM137.5m and RM146.5m in FY2025 and FY2026 respectively. We peg a fair value of RM1.23 based on 12x PER (similar to its regional peers with similar scale) over FY26 EPS.

The Company's revenue stream is primarily generated through its Rental-Based Subscription Business Model, under which customers rent appliances (primarily water and air purifiers) accompanying with maintenance services. This model ensures recurring income and long-term customer relationships. CKI also generates additional income through its beauty and wellness products and home care services, leveraging on an ecosystem-based approach via cross-selling and brand loyalty.

To enhance cost efficiency and supply chain control, CKI is ramping up its internal production capacity for mattresses and filters through strategic capital expenditure. At the same time, the company will continue to invest in AI-enabled customer service, data analytics, and automated backend infrastructure to streamline operations and elevate service delivery.

To support regional growth, CKI is pursuing joint ventures and strategic alliances in Indonesia and the Philippines, emphasizing localized execution through talent acquisition, logistical capabilities, and product adaptation. These measures are intended to replicate its Malaysian market success and accelerate expansion in key ASEAN economies.

The wellness and home appliance industry in Malaysia and the broader Southeast Asian region is expected to continue growing at a healthy pace, driven by rising urbanisation, growing middle-class income, and increasing consumer focus on health, hygiene, and convenience. Based on research by Frost & Sullivan, the rental segment for home appliances and household goods in Malaysia is demonstrating strong resilience, with growth expected at a 9.9% CAGR from 2024 through 2029.

CKI targets a payout ratio of at least 20% of its net profit to shareholders. We expect CKI to pay 1.9sen and 2.0sen for FY25 and FY26, translating into yields of 1.8% and 1.9%. The company's balance sheet is healthy with net gearing of 0.25x as of FY24. Supported by stronger earnings ahead, we expect to see its gearing ratio fall below 0.1x in FY2025, and shift into a net cash position in FY26.

KLCI	1,511.64
YTD FBM KLCI change	-7.96%
YTD FBM SC Index change	-15.34%

Stock Information

Market Cap Upon Listing (RM'm)	1,547.4
Enlarged Share Capital (m)	1,432.8
Shariah Compliant	Yes

IPO Proceeds (RM'm)*

Capital for product purchases for expansion	85.6
Repayment for bank borrowings	32.7
Capex for (a) Opening of "Brandshops"	4.1
(b) Upgrading of IT systems	4.6
Expansion of Singapore business	8.2
Estimated listing expenses	19.5
Total	**154.7**

** Adjusted according to changes in IPO offer price from RM1.29 to RM1.08*

Major Shareholders

CKH	52.0%
Koo Bon Hak	11.0%
Hoe Kian Choon	10.0%

Summary Earnings Table

FY Dec (RM'm)	2023	2024	2025F	2026F
Revenue	1,116.6	1,239.0	1,350.5	1,458.6
EBITDA	234.3	250.0	268.2	287.5
Pretax profit	138.6	170.7	179.9	191.9
PATMI	87.3	128.9	137.5	146.5
Core PATMI	**87.3**	**128.9**	**137.5**	**146.5**
Consensus	-	-	-	-
Core EPS (sen)	6.1	9.0	9.6	10.2
EPS growth (%)	3476.2%	47.7%	6.7%	6.5%
DPS (sen)	0.0	0.0	1.9	2.0
PER (x)	17.7	12.0	11.3	10.6
BV/Share (RM)	0.56	0.60	0.76	0.85
ROE (%)	11.5%	15.6%	15.9%	12.7%
Div. Yield (%)	0.0%	0.0%	1.8%	1.9%

Sources: Prospectus, Rakuten Trade Research

COMMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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